Standex Reports 43% Gain in Income from Continuing Operations in Fiscal First Quarter; First Quarter Revenue Rose 24%

Release Date:
Thursday, October 28, 2004 8:00 am EDT

Terms:  

Dateline City:  
SALEM, N.H.  

About Standex

"Standex's strong first quarter performance demonstrates the benefits achieved from our comprehensive restructuring and realignment program and from strategic bolt-on acquisitions, designed to solidify and leverage the leadership positions of our core businesses in their respective markets," said Roger Fix, president and chief executive officer. "Throughout a diversifies, plant consolidations, and strategic bolt-on acquisitions, we have produced a robust - business units better equipped to take advantage of market opportunities. As a result, Standex's top-line performance for the quarter reflected a healthy mix of organic sales growth and new revenue from acquisitions."

- Revenue: Standex's three largest operating segments, Food Service Equipment, Air Distribution Products (ADP) and Engineered Products, which together accounted for 77% of the Company's first quarter total revenue, each posted strong double-digit, top-line gains of 41%, 18% and 34%, respectively.

- All three of these groups experienced strong organic sales growth. The organic sales growth rate for the Food Service Equipment segment was nearly 9% for the quarter, with the remaining top-line growth attributable to the acquisition of the Co-Link Products acquisition, which was completed in the second quarter of fiscal 2004. In the Engineered Products segment, more than 85% of sales gains were organic. In the ADP segment, all of the 18% sales growth was organic; however, the 24% growth produced by price increases was offset by a 6% decline in unit volume. Three industry factors contributed to the unit volume decline: first, in anticipation of steel price increases, many distributors of ADP's products built inventory during Standex's 2004 third and fourth fiscal quarters, causing a slowdown in purchasing in the most recent quarter; second, housing starts, a leading economic indicator for ADP weakened; and third, a cool air conditioning season this summer also dampened sales.

- Standex's two smaller segments, Consumer and the Engraving Group posted modest sales gains for the quarter and the profitability in both segments continued to improve. Following an 18-month program directed at improving profitability, the Consumer segment posted an increase in sales of 5% for the quarter but just ended, marking the second consecutive quarter that this segment has recorded improved sales over the prior year. Of all the growth was organic. The segment's Breen book store chain achieved a same-store sales increase of 4.5%, representing the third consecutive quarter of improvement in this metric. Sales at Standard Publishing also improved during the quarter.

- All of the Engraving Group's first-quarter sales gain of 4% was attributable to organic growth and favorable currency exchange rate changes. The Engraving Group is in the final stages of consolidating its Rochester, New York plant at its Richmond, Virginia facility, as well as completing the integration of the IR International acquisition.

- Profitability: Four of Standex's five segments posted double-digit increases in year-over-year-first quarter operating income.

- First quarter fiscal 2005 operating income in the Engineered Products segment increased by 94% due to significant sales gains, a lower cost structure produced by expense reduction and consolidation programs implemented in fiscal year 2004, and a reduction in a long-term contract with a major customer. The Food Service Equipment segment's operating income rose 37% as its strong brands achieved in frequent volumes and higher prices, although the segment was not able to pass through to its customers all of the higher steel prices it incurred.

- Similarly, the Engraving Group segment posted an 18% gain in operating income, reflecting strong sales in its Mako Tech business, as well as the cost savings and synergies being realized from the consolidation of its mill engraving operations. The Consumer segment achieved a 157% increase in operating income, based on strict adherence to cost control disciplines and stronger sales. ADP was the only segment posting a year-over-year decline in operating profitability, down 22% primarily from a decrease in unit volume and a limitation on its ability to fully pass through steel price increases to its customers.

Restructuring and Realignment Program

"Having completed the major parts of our restructuring and realignment program, the next stage of our growth strategy involves investing in organic growth initiatives that managers of our businesses have identified and seeking attractive strategic bolt-on acquisitions that will strengthen Standex's technology, products or market presence. We continue to place a high priority on managing working capital to preserve our balance sheet as a resource for future acquisitions," added Fix.

Business Outlook

"Our growth strategy has enabled us to post strong sales and profit growth in recent quarters. We believe that we can continue to build momentum across all of our operations, in part because of the strong name recognition and strong brands we enjoy in the marketplace and the reputation for engineering and service excellence that stands behind each brand.

"We continue to apply the Lean Enterprise disciplines to a broad cross section of our businesses and are realizing the benefits of these powerful process improvements in reduced working capital requirements, lower costs and improved responsiveness throughout the organization.

"Having completed the major parts of our restructuring and realignment program, the next stage of our growth strategy involves investing in organic growth initiatives that managers of our businesses have identified and seeking attractive strategic bolt-on acquisitions that will strengthen Standex's technology, products or market presence. We continue to place a high priority on managing working capital to preserve our balance sheet as a resource for future acquisitions," added Fix.

Conference Call Details

In conjunction with this announcement, Standex will broadcast its conference call live over the Internet today at 10:00 a.m. Eastern Time. On the call, Roger Fix, president and CEO, and Christian Storch, CFO, will review the Company's financial results, business and operating highlights, and the new segmentation of its operations.

Investors interested in listening to the webcast should log on to the "Investor Relations" section of Standex's website, located at www.standex.com, at least 15 minutes prior to the event's broadcast to download the necessary software. To listen to the audio playback from the United States, call (888) 286-8110; for outside the United States, dial (617) 801-6888; access code is 2469687. In addition, a replay can also be accessed in the "Investor Relations" section of the Company's website, located at www.standex.com.

About Standex

Standex International Corporation is a multi-industry manufacturer in five broad business segments: Food Service Equipment, Consumer, Air Distribution Products, Engraving Group and Engineered Products with operations in the United States, Europe, Canada, Australia, Singapore, Mexico, Brazil and China. For additional information, visit the Company's website at www.standex.com.

Safe Harbor Language

Statements in this news release include, or may be based upon management's current expectations, estimates and/or projections about Standex's markets and industries. These statements are forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Actual results may materially differ from those indicated by such forward-looking statements as a result of a variety of risks, uncertainties and assumptions that are difficult to predict. Among the factors that could cause actual results to differ from those expressed or implied in forward-looking statements are a variety of risks, uncertainties and other factors discussed in the Company's Annual Report on Form 10-K for the fiscal year ending June 30, 2004, which is on file with the Securities and Exchange Commission, and any subsequent periodic reports filed by the Company with the Securities and Exchange Commission. In addition, any forward-looking statements represent management's estimates only as of the date made and should not be relied upon as representations of management's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company and management specifically disclaim any obligation to do so even if management's estimates change.

Reconciliation of Non-GAAP Measures

Net income and earnings per share data including the impact of discontinued operations, restructuring and other special charges is summarized below (in th